

Semi-Annual Report to Shareholders June 30, 1974

VAN DER HOUT ASSOCIATES LIMITED



VAN DER HOUT ASSOCIATES LIMITED

HEAD OFFICE, 3600 LAKE SHORE BOULEVARD WEST, TORONTO, CANADA M8W 1N8



VAN DER HOUT ASSOCIATES LIMITED

TO OUR SHAREHOLDERS:

Sales for the Orangeville Division for the first half of 1974 were up about 7.5% over the same period last year, while sales of the Gabriel Division were marginally lower than those of the previous year reflecting the delay in manufacturing product for shipment in the second quarter by the strike. The strike was settled April 11th and in order to get back into step with our customers' programmes, it has been necessary to schedule overtime with all its ramifications.

This, together with other factors, including the direct costs of the strike itself, resulted in a reduction of first half's earnings of the Gabriel Division of about ten percent when compared to the comparable period last year. Earnings for the Orangeville Division were up about three percent for the first half.

Total Net Earnings for the first half were \$523,707, down about seven percent or \$40,742 from the \$564,449 reported last year.

Among the other factors contributing to the weak second quarter was the ever increasing cost of raw materials, complicated by the difficulties experienced in having certain suppliers honour long term contract prices. Late in 1973, the Gabriel Division began to stockpile strategic materials in order to protect supply. This resulted in increased interest, space and handling costs.

The factors described in the foregoing, together with increased distribution costs, have reduced profitability in the second

quarter at a faster rate than our programme of price increases has been able to absorb. Much of the second quarter's non-replacement business has been shipped at "old" prices.

At the meeting held June 25, 1974, the Shareholders present and those represented by proxy voted, among other things, in favour of the approval of an agreement between the Company and Maremont Corporation for the acquisition of the shares of Gabriel of Canada now owned by Maremont in exchange for 764,442 treasury shares of the Company. The transaction is presently under review by the Foreign Investment Review Agency and we expect to have news for you in this regard soon.

In addition, at the Shareholders' meeting the Board was increased from eight to nine, and we welcome Mr. Albert E. Woods to our Board. Mr. Woods, prior to his recent retirement, was Executive Vice-President of the Toronto Dominion Bank.

We regard the second quarter results as reflecting temporary problems. Overall demand for our products continues to run at a high level.

J. B. Van Der Hout
President

STATEMENT OF INCOME (UNAUDITED) For the Six Months ended June 30, 1974

	1974	1973
Net Sales – Van Der Hout Associates Limited and its subsidiaries	\$ 1,969,164	\$ 1,831,200
– Gabriel of Canada Limited and its subsidiary	8,718,623	8,890,359
Total Net Sales under management	10,687,787	10,721,559
Operating Income – Van Der Hout Associates Limited and its subsidiaries	217,565	205,946
Less: Income taxes	93,500	84,074
Minority interest	8,255	9,444
	101,755	93,518
Equity in net earnings of Van Der Hout (consolidated)	115,810	112,428
Equity in net earnings of Gabriel of Canada (consolidated)	407,897	452,021
Net Income	\$ 523,707	\$ 564,449
Per share income	57.3¢	63.5¢

STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

For the six months to June 30, 1974

Source of Funds	1974	1973
Operations:		
Net Income	\$ 523,707	\$ 564,449
Add back items not involving a current outlay or receipt of funds:		
Equity in net earnings of Gabriel	(407,897)	(452,021)
Depreciation and amortization	60,588	19,660
Minority interest in income	8,254	9,444
Increase C.S.V. Life Insurance	(2,956)	—
	181,696	141,532
Increase in long term debt	—	81,095
Minority interest arising out of acquisition	—	24,723
	181,696	247,350
Application of Funds		
Additions to fixed assets (net)	37,426	61,100
Reduction of long term debt	39,305	2,000
Goodwill, patents, trademarks acquired	—	5,374
Increase C.S.V. Life Insurance	—	40,887
	76,731	109,361
Increase in working capital	104,965	137,989
Working capital at beginning of period	1,700,537	1,294,792
Working capital at end of period	\$ 1,805,502	\$ 1,432,781